

INFORMATION REPORT

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SUBJECT Problems of Yugoslav Industrial Development

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SUPPLEMENT TO 25X1X
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There follows a general discussion of the various problems facing Yugoslavia in its struggle to develop its economy.

1. The Alliance Plan Commission, with headquarters in Belgrade, and the Economic Council frame the plans for the reconstruction of the electric utilities and heavy industries in Yugoslavia. Their programs are put into operation by the planning commissions of each republic. Their main aim is the economic reconstruction of the entire nation which, before World War II, had primarily an agrarian economy, thus freeing Yugoslavia from its great dependence on foreign imports.
2. The President of the Alliance Plan Commission is Boris Kidric, a Slovene, one of the top political leaders in Yugoslavia, ranking as a Minister member of the Central Committee.
3. The industrial development program currently depends almost entirely on the importation of essential materials from foreign sources. Prior to the Tito-Cominform break, the main sources for industrial machines and material, were the "People's Democracies" of Hungary, Czechoslovakia, Poland, Rumania and Eastern Germany. Of these, the latter exported to Yugoslavia the greatest quantity of industrial equipment, transport equipment, chemical products and fuel, i.e., coal and coke.
4. These countries were also in a position to give Yugoslavia technical advice. Fearful of creating an unhealthy rival by building up Yugoslav industry, however, they were reluctant to do so. The Soviet Union, foreseeing that a strong Yugoslav industry might later be used against her interests, hesitated to allow too great a flow of supplies into the country. Needing industrial equipment themselves, the Soviets maintained a policy, employed in other Satellite nations, of giving as little and taking as much as possible in order to strengthen their own heavy industry. This policy adopted by the Soviets is cited as one of the major causes for the Tito-Cominform rift.
5. Following this rift, the structure of Yugoslav imports radically changed, because the flow of industrial equipment from Satellite nations ceased. It, therefore, became necessary to change the program and plans for the entire industrial development. For example, prior to the split,

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SECRET

CENTRAL INTELLIGENCE AGENCY

25X1A

-2- CONFIDENTIAL

Yugoslavia planned to obtain cranes from Hungary, machinery for sugar factories from Hungary and Czechoslovakia, locomotives and railroad equipment from Hungary and Czechoslovakia, coke from Poland, gasoline from Rumania, turbines and generators for electrification and cement plant rotation furnaces from Satellite countries in general. Because of the rift, many factories were forced to close down in view of shortages of machinery and spare parts. An example of such stoppages is the shutdown of the aluminum plant in Slovenia at Strnisce.

6. With the breakdown of economic relations, the Yugoslavs could no longer concentrate their imports and exports on the Danube River installations. Therefore, the Adriatic ports assumed a vastly more important role, a role which they were not able to perform competently, because they lacked essential port facilities, docks, rail facilities and warehouses. Thus, even now, Yugoslav port facilities are unable to meet the demands made upon them, creating great delay in loading and unloading shipping, which increases the cost of exports.
7. Truck transportation facilities, a great deal of which was received from UNRRA, are generally falling into a state of disrepair, with a large percentage completely unfit for use because of poor drivers, bad roads, lack of spare parts and tools and poor maintenance. Italian and German trucks which are generally pre-war cannot be used because of lack of replacement parts. A similar condition exists with other types of machinery and industrial equipment received from Germany prior to the war and upon which Yugoslavia depended greatly. Of the trucks furnished by UNRRA, 85 to 90 percent are completely inoperative.
8. The other major means of transportation, the railroads contacting Austria and Italy, suffers a similar state of disrepair and inefficiency. Hindered by an insufficient number of railroad cars and, with about 30 percent of the rolling stock unfit for use, there is little likelihood that the rail situation will improve because of the need for spare parts and adequate tools. In addition, the general bogging down of transportation facilities and the dearth of efficient machinery for freight handling cause interminable and repeated delays in the shipment of goods.
9. Other conditions which retard the efficient development of plans for electrification and industrialization are:
 - a. Scarcity of forced labor: The people from the farms and small villages are loathe to work in the industrial centers because of living conditions which they must endure, such as poor pay, inadequate housing, and bad food. Even though the peasants are constantly under government control, only by force can they be compelled to work in the industrial centers. It has also been found that the use of forced labor is general practice at the posts and quarries for the building of roads and in the timber and mining industries. Yugoslavia has attempted to augment its labor scarcity by enticing foreign nationals to assist. Some German prisoners of war were permitted to sign a five-year contract, which promised them 50 percent better wages than Yugoslav workers, (between six and seven thousand dinars a month), and permission to send food packages to their families in Germany. In spite of this, these workers, many of whom are skilled, resented the conditions under which they worked and many escaped. In addition, of Italian laborers lured to Yugoslavia before the Cominform break, approximately 500 have been dispatched to Bosnia to work in the mines.
 - b. Scarcity of tools: The shortage of transportation equipment, fuels, and spare parts for all industrial equipment, is the principal reason for the retarding and, in many instances, stoppage of production of ores, raw materials and finished industrial products. Scarcity of all types of hand tools, steel drilling outfits, cutting and die tools, metal working machinery, agricultural tools and sifting equipment for grains and ores greatly contributes to confusion and inefficiency.

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SECRET

CENTRAL INTELLIGENCE AGENCY

25X1A

-3-

CONFIDENTIAL

- c. Lack of standardization of equipment: Because Yugoslavia is forced to operate any type of machinery available, including old types, they have accumulated equipment of various standards of manufacture. Coupled with the lack of spare parts and the workers' general unfamiliarity with the maintenance of the varied types, machine failures are increasingly frequent. Because of these mechanical failures and resultant cessation of work, workers often are accused of sabotage and imprisoned. The situation has become so stringent that drivers and mechanics of trucks, buses and automobiles are sent to prison or forced labor camps if the vehicles for which they are responsible breakdown. As a result, many individuals, for fear of being imprisoned, do not want to drive or maintain any type of vehicle. As an extreme example, at Divulje Engineer Vujovic (fmu), Director of the Vehicle Repair Center, which repaired trucks, cars and buses, recently was charged with sabotage because of a number of natural machine failures. Overheard while denouncing the system which did not make spare parts and equipment available, he was tried and executed.
- d. Lack of competent engineers and technical experts: Those engineers and technical experts currently in Yugoslavia are greatly overworked and poorly treated, because they are considered members of the "intelligentia". Paid less than the workers and under constant suspicion as saboteurs unless they are Party members in good standing, they receive from 6 to 10 thousand dinars a month, working 10 to 12 hours daily. A great need exists for building, mechanical and mining engineers. In the development of new industrial plants, engineers and technical personnel, not familiar with the new techniques of the Western countries, often make plans for machinery and factory design which are already obsolete and inefficient. In many instances it has been necessary to remodel the factories because the machinery selected by the designer is unsuitable. For example, the plastic factory at Split included a building designed to house production machinery. With the arrival of the machinery, it was discovered that an error had been made, and that it would not fit into position. Thus, extensive factory changes had to be made, and several persons were imprisoned because of the error. Also in Fiume dock-side cranes were erected in the port area. When installed according to plans prepared, it was discovered that they were unable to function. For this five or six responsible officials were imprisoned. Dissension has become manifest in the ranks of the engineers available, because of the red tape and the lack of assistance and material. Even German engineers, hired by the Yugoslavs under better wage scales than their own nationals, have become infected with this feeling. A German engineer by the name of Reiner, one of ten hired in Split for the past one and one-half years, who was head of the port mechanization section, is reported to have said that he was dissatisfied because he could not get proper assistance and material. He consequently escaped.
- e. Inferior quality of raw materials and fuel: Because of poor raw materials and low grade fuels, industrial production has been seriously affected in the quality of its finished products. In the cement industry, low grade coals have affected the quality of cement produced. Inferior lubricants damaged machinery throughout the entire industrial setup. Reduction in quality of Yugoslav products, because of poor raw materials, resulted in the refusal of 10,000 tons of cement which had been sent to South America. Wastage of cement due to breakage of sacks (Source estimates that 40 percent of paper cement sacks break in handling) has added to the hardships of the cement industry. Products inferior for export are turned back to the civilian population of Yugoslavia. For example, pork sent to Trieste and found unfit, was sent back for sale on the Yugoslav market, as was a large quantity of marmalade found to be inferior in quality for export.
- f. Government controls: In order to increase efficiency and control, the Government has made heavy requirements for a multitude of reports. These reports, of necessity, made daily, weekly, bi-weekly and monthly,

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CENTRAL INTELLIGENCE AGENCY

25X1A

-4-

consume as much as 60 percent of the work day. If the required reports are not completed, the worker must prepare them on his own time without pay. Also, if the worker's regular duties are not completed because of the time consumed in preparing the reports, he must remain and do the required work on his own time.

g. Industrial decisions by political personalities: In addition to the normal governmental red tape, final important decisions regarding industrial matters are generally not decided by technical experts but by political personages who often have no qualifications to make the decisions given.

Five-Year Plan

10. Yugoslav newspaper assertions that the Five-Year Plan is succeeding are ridiculous in the extreme and to one familiar with internal conditions, are easily recognized as propaganda to raise public morale. Those unwise enough to voice opinions that such assertions are propaganda, are considered enemies of the State, liable to heavy punishment.
11. Inequality is rampant because individual Party members, having gained positions of power, live well, if not luxuriously. The non-Party members and the workers, less fortunate, live in poverty and squalor, always oppressed by the fear of losing their jobs and being unable to support and feed their families.
12. Mining production, especially badly needed coal, is decreasing at a constant rate as more and more of the machinery fails, without hope of replacement. Poor living conditions, heavy work responsibilities, as well as lack of good food, have lowered workers' morale, with consequent reduction in production. The same conditions apply to forestry, in which the workers are impressed by force to labor in the forests and mills. In addition to being forced to labor to produce the badly needed lumber, the workers are compelled to labor with political prisoners under nearly the same conditions. Poor treatment and bad living and working conditions have caused many forced laborers to escape and flee to their homes.
13. In an endeavor to increase efficiency in the Dalmatian ports, the workers syndicates organized a year ago a "brigade system". This system imposes upon each worker a loading or unloading minimum schedule for the day. Failure to attain this minimum is compensated by a proportionate deduction from the worker's pay. In conjunction with this system, competitions are encouraged, the winners of which received bonuses and similar rewards.
14. In comparison with other industries, some success has been manifested in the development of electric utilities. This success, in the initial state of the development plan, has been achieved only where the work depended entirely on the use of Yugoslav equipment and natural resources. The greatest difficulties were encountered in the procurement of adequate and sufficient machinery, turbines and power equipment, unavailable largely because of critical shortage of money and credits.
15. Large capacity transformers, received from UNRRA after the war, have yet to be placed in operation because of transportation difficulties. Unable to transport them by truck to needed areas, because the bridges are incapable of sustaining the weight, the Yugoslavs, prior to the Tito-Cominform break, ordered special low, 120-ton capacity, railroad cars from Hungary. To date these cars have not been delivered, nor is there any likelihood that they will be.
16. The railway systems have suffered great handicaps with shortages in locomotives, railroad cars, signal equipment and rails. Rolling stock of American manufacture, given Yugoslavia by UNRRA, is considered the best in use. At least 30 percent more locomotives and 40 percent more railroad cars are needed, however, before Yugoslav rail systems can emerge from

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~~CONFIDENTIAL~~

CENTRAL INTELLIGENCE AGENCY

25X1A

-5-

their current inefficient operation. These rail lines also need a minimum of 200 refrigerator cars for the transportation of meat, fish, fruit, eggs and other perishables, as well as tank cars for gasoline and wine transport. The need for rails became overpoweringly evident with the inception of the government-sponsored expansion of railroads, building new lines throughout the nation. So critical did the shortage become, that many times the Yugoslavs were forced to pick up rails from old used lines and employ them to complete the new ones. Such procedure was necessary to complete the line between Bihać and Knin, known as the "Unska Pruga" (Una Valley) line.

Industries

17. Cement Industry: There are five large and one small cement factories located as follows:
 - a. Castle Sucurac which will be enlarged with the construction of another rotation furnace.
 - b. Majdan - Solin where new silos for clinkers and cement have been constructed.
 - c. Sv. Kaja-Solin will enlarge its cement milling and loading facilities.
 - d. Ravnici, near Omis, has only been reconditioned with no plans for enlargement.
 - e. Omis, a small factory of relative unimportance.
18. The total annual production of these factories varies between 600,000 and 800,000 tons of Portland cement. The quality of this cement depends upon the grade of coal received. Because low grade coal is frequently consigned to them, the cement produced is inferior.
19. The cement industry near Split, the only one in Dalmatia, was built prior to the last war. It employs about 5,000 persons and like all other cement plants throughout Yugoslavia, comes under the supervision of Engineer Josip Morpurgo, Director General of the Yugoslav cement industry. A competent authority on cement production, Morpurgo maintains his headquarters in Belgrade.
20. Coal for use by the cement industry is currently produced at Siveric, Mostar and Rasa. Before the Cominform break, Yugoslavia was also supplied with 50,000 tons of anthracite yearly for the production of cement for the Soviet Union, in addition to coal provided by UNRRA.
21. Bauxite Industry: Bauxite mines in operation are located near Drniš and Mostar, and ores produced from them are exported from Sibenik, Ploče and Dubrovnik. The ores, however, are not properly processed, and exportation is further slowed by lack of transport diesel trucks and ore conveyors. In addition, further complications are created by the inefficient handling in the aforementioned ports, where only 1,000 to 1,500 tons can be handled daily. Before the rift, all bauxite produced was exported to the Soviet Union which paid for it in U.S. dollars at the pre-war price. Currently all Yugoslav bauxite is being exported to Western countries, especially Italy, Holland, Great Britain, Sweden and the United States. To produce bauxite, approximately 3,000 to 4,000 persons are employed in Dalmatia and an equal number in Hercegovina.
22. Coal Industry: Not an important industry in Dalmatia, there are three mines near Drniš at Siveric, Velusici and Siritovci. The output of coal dust from these three mines is sold to the cement and electric plants at Susak and Fiume, whereas the coal, itself, is allocated for shipping purposes. Annual production from these mines averages 250,000 to 300,000 tons but is of poor quality, testing at 4,200 calories. Near Mostar in Hercegovina is a mine which produces about 300,000 tons of coal per year, the entire production being assigned to rail transportation. In addition, it is estimated that later mines in the area will produce 100,000 tons per year.

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CENTRAL INTELLIGENCE AGENCY

25X1A

-6-



produce a yearly average of from 800,000 to 900,000 tons.

23. Ship-building Industry: The main shipyards at Split, located in the north port, called Vicko Krstulovic, have been enlarged by the construction of a new foundry, the total rebuilding of workers homes and new docks. Work in this area currently consists of the reconditioning of ships and the completion of those whose keels were laid before the last war. New dry docks have been installed beside the old one to increase efficiency in the reconditioning. Supervised by Baja Jurjevic, a former laborer and confirmed Tito Communist, who is director of the Split yards, the shipyards employ approximately 3,000 persons. A project under way at Split is the repair of the damaged victory ship, ST LAWRENCE VICTORY, the completion of which is expected within the next few weeks. Those shipyards constructing smaller type wooden vessels remain as before the war at Korcula and Sibenik. The military shipyard in Tivat at Eoka Kotorska, has been reconstructed.
24. Plastic Industry: A new factory for the production of plastics currently is being constructed west of Castle Sucurac but is not yet completed. The machinery for the factory has come entirely from Switzerland. The planned production capacity is unknown. However, estimates indicate that it will consume about 30,000 tons of coal dust (presumably per annum). A rail line has already been built to the factory site, and a new dock is under construction nearby. The main raw materials to be used will be salt, carbide and coal dust, but other details are unknown.
25. It is rumored that this plant will produce automobile tires and a type of nylon. Homes are being constructed for 3,000 workers who will be directed by Berkler (fmu), a former designer who is to be factory chief and who travels frequently to Switzerland, supposedly for the acquisition of needed machinery.
26. Torpedo Factory: The Whitehead Torpedo Factory is still at Fiume under the directorship of Gazin (fmu), formerly with the Yugoslav UNRRA Mission.
27. Carbide Industry: The factory at Dugirat near Omis, employing 3,000 workers, has been restored to its pre-war condition. Its current chief is Engineer Maricic (fmu).
28. The factory at Sibenik has also been rebuilt to its pre-war condition and currently produces carbide, ferro-manganese, ferro-silicum and calcium silicate for export. At this site, the Italians during the war installed a section for the production of electrodes. Placed into operation this year by the Yugoslavs, it has not measured up to expectations because of machinery shortages and lack of raw materials. The factory now employs approximately 3,000 workers under the guidance of Engineer Marin Bulic.
29. Silos: Used for ore storage while loading, the silos at Sibenik have a capacity of storing 30,000 tons and are capable of loading 3,000 to 5,000 tons daily. This installation still requires additional machinery, mainly scappers and ore conveyors, before it can operate to capacity.
30. Aluminum Factory: The aluminum plant at Lozovac near Sibenik, which before the war used 36 Bauer system furnaces, has been enlarged somewhat. Employing 35,000 workers, the plant produces partly for export and partly for home consumption, processing bauxite trucked from Drnis. Housing for the workers is also being constructed and the electric power plant on the Krka River has been made larger.
31. Electrification: Aside from the central power generating plants, others are located at Sibenik and Split. Additional power plants are under construction at Split and Mostar as well as at Jablanica in Hercegovina where a central power plant is planned to produce 56,000 kilowatts in the initial stages of development by utilizing the waters of the Neretva and Rama Rivers.

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CENTRAL INTELLIGENCE AGENCY

25X1A

-7-

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32. A large artificial lake is planned by damming four billion cubic meters of water in Busko Blato (Livanjsko Polje), which will be one of the largest dams in Europe. The water so dammed will be used to maintain water pressure for the generating plants serving the Lika Dalmatia and Hercegovina in the summer and fall months when water pressure is low. The project was planned before the war by a German firm, Hansa Leichtmetal A.G.

33. In this area a large coal mine is expected to be opened at Tusnica, and this year rail lines are to be constructed from Split to the mine as well as from Knin to the mine near Livno. The capacity of the plants at Kradjevac is 72,000 A.P. while that of the plant in Krka is 36,000 A.P. and Dubrovnik only 6,000 A.P. (sic).

34. Farm development program: A program of soil conservation, primarily drainage, has begun at Nadinsko Polje near Zadar, Sinjsko Polje, Imotsko, Bekijsko and Neretljansko Polje from Metkovic to the port of Ploce.

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